


MAGNESIUM CORPORATION OF AMERICA

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JUN 13 2002

**DIVISION OF
OIL, GAS AND MINING**
Hand Delivered

Lowell P. Braxton, Division Director
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Re: Division Order, Magnesium Corporation of America, Rowley/Stansbury Basin Municipal Project, M/045/008

Dear Mr. Braxton:

In response to the Division Order dated May 31, 2002 and subsequent meetings on the subject, Magcorp has submitted volumes of material in response to previous Division requests and is hand delivering today the requested maps to scale identifying changes in the mine site which have occurred since the reclamation plan was submitted in 1979, transferred from NL Industries to Amax in 1982, and again transferred from Amax Magnesium to Magcorp in 1990. Magcorp has responded to the best of it's ability to the previous requests for information and hopefully by hand delivering additional information today, along with Magcorp's estimate of reclamation costs and supporting materials, we can agree on a plan and reclamation bond amount which will satisfy the Division and allow the sale of Magcorp's assets to US Magnesium to go forward.

As you will note, Magcorp's proposed estimate of reclamation is consistent with the Division's longstanding interpretation that the plant area is not within Division jurisdiction; that only the oolitic sand mining sites and those solar pond structures that are safety factors above the meander line of the Great Salt Lake are subject to full reclamation; and that pond structures below the meander line will be left essentially intact due to the important flood protection, public access and other public purposes they serve, and because the area was originally lakebed, and would readily revert back to lakebed, with only minimal breaching or flow control measures at the dikes and levees. The plan principles and bond estimate of \$349,866 is submitted with the understanding the bond will be fixed in that amount for at least five years, at which time it will be subject to review in accordance with the Division policy.

I look forward to the Division's concurrence in the bond amount for Rowley/Stansbury Basin operation, and to quickly and successfully completing the transfer of the notice of intention for the operation from Magcorp to US Magnesium.

Sincerely,

Lee R. Brown
Vice President,
Magnesium Corporation of America

Cc: Mike Malmquist
TJ Rudman
Joe Smolinsky
M. Guss
Dennis Sadlowski
M. Legge
R. Thayer
T. Ogaard

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Terms of this letter in conjunction
with the June 12 "Principles of
Magcorp Estimate" dated 6-12-02
and the ^{LPO} 4 page "Bond Estimate
2002 Rowley Facility" are accepted
L. P. Braxton 6-13-02

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JUN 12 2002

DIVISION OF
OIL, GAS AND MINING

Principles Of the Magcorp Estimate:

June 12, 2002

Tom Tripp

1. Magcorp has ceased oolitic sand mining activities (six years ago). No further activity is expected. The mineral claims have been relinquished. The areas are reclaimed and revegetated with minor exceptions. Rather than unnecessarily including this task as a bonding activity, set a schedule and direct Magcorp to finish the activity.
2. "Borrow Areas" have been inactive for the last 16 years. Div of Oil, Gas, and Mining no longer bond sand and gravel pits. Rather than unnecessarily include this item as a bonding activity, set a schedule and finish the activity.
3. The 1979 reclamation plan says that areas need to be reclaimed to **"past and present probable land uses"**. The Stansbury Basin is likely the finest solar pond facility in the world. The dikes and canals of the facility were constructed at a cost of multiple tens of millions of dollars. It seems inconceivable the "probable present use" would be anything other than solar ponding. The reclamation plan only says, **"levies and dikes will be breached, allowing solar pond area to revert to lake bed."** Consequently the reclamation activities in the solar ponds should be limited to only restoring natural drainage rather than general destruction of the ponds.
4. The State of Utah is currently issuing access permits for brine shrimping operations to use the North Dike (12 miles) of Stansbury Basin solar ponds. To plan the destruction of a program where the State is issuing long term access permits is foolish and unnecessary. Magcorp proposes leaving the existing control structures open to allow free flow of water should a reclamation activity be necessary.
5. The dike structure on the North side of the "2 Ponds" was installed with public money participation in 1987. The dike can serve as a means of protecting roads, wildlife refuges and other facilities. Rather than breach the structure in multiple locations there is currently an adequate drain through the structure that will serve to restore natural drainage, but also rapid closure should the need arise.
6. Removal of various control structure will general allow natural drainage of water through the internal dikes of the solar ponds. Only a few additional breeches would be necessary. The reclamation will come as a result of wave action not from flow through breeches
7. The pipeline for transferring brine to the plant site is buried and doesn't require reclamation.

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8. The West Canal including the dikes are necessary for the routine passage run off water from Skull Valley. Destruction of the canal prior to substantial dissipation of salt floors in the solar ponds may cause damage to railroads, roads, and other operations. Such a canal is necessary for the future use of the basin for solar ponding and consequently should be left. (See item 3 above)
9. The five mile long brine inlet canal located on the West end of the North Dike provides the only reasonable boat launching site on the West side of the Great Salt Lake. It has been used by government agency for various survey purposes. Because of it's location, it can serve as a boat access to a lake surface elevation of about 4196 MSL (allowing three feet of depth) The canal is in the bed of the lake on a mud flat that allows no surface vehicle travel and is bounded by borrow spoils. Between it's original construction and 1992 it filled with sediment and had to be restored. It can be expected to self-reclaim rapidly. It is an unnecessary addition the reclamation estimate.

BOND ESTIMATE, 2002
ROWLEY FACILITY

Operation	Quantity	unit costs	Extended costs	
A. CLEAN-UP				
1. Removal of structures & equipment				
a. Shop	3200sq ft	\$3.00	\$9,600.00	
b. generator bldg	1	\$1,500.00	\$1,500.00	
c. P-10 pump building	1	\$3,000.00	\$3,000.00	
d. steel structures @ pump stations	11	\$10,000.00	\$110,000.00	
e. metal flumes	2	\$2,400.00	\$4,800.00	
f. concrete gates	8	\$1,250.00	\$10,000.00	
g. bridges	2	\$1,000.00	\$2,000.00	
h. tanks	4	\$1,325.00	\$5,300.00	
i. Wooden control gates	2	\$1,250.00	\$2,500.00	
subtotal			\$148,700.00	
2. Removal of trash				
a. East road	1	\$1,600.00	\$1,600.00	
3. Leveling of ancillary facilities, pads, & access roads				
a. roads	11.3 acres	\$2,000.00	\$22,600.00	
b. concrete pads at south pump station	86 cu yd	\$100.00	\$9,600.00	
c. asphalt pad at south pump station	12000sqft	\$1.00	\$12,000.00	
subtotal			\$45,800.00	
B. REGRADING & RECONTOURING				
1. Earthwork, including hauling & grading of spoils, waste, & overburdens				
a. fresh water canal D8	200000cu yd	\$0.10	\$20,000.00	
b. p-11 canal- D8	84000 cu yd	\$0.10	\$8,400.00	
c. remove culvert - north dike	1	\$3,000.00	\$3,000.00	
d. breach pond 2W	2	\$500.00	\$1,000.00	
e. breach pond 3 center, south dike	2	\$500.00	\$1,000.00	
f. breach main road	2	\$750.00	\$1,500.00	
g. breach EW dike	1	\$1,000.00	\$1,000.00	
h. small canal dike west of EW dike-D4LGP	10000 cu yds	\$0.55	\$5,500.00	
i. Intermediate pond gate	1	\$4,000.00	\$4,000.00	
j. holding ponds	200000 cuyd	\$0.10	\$20,000.00	
subtotal			\$41,400.00	
2. Recontouring & Regrading				
a. oolitic sand area, North of plant	no	bond		
3. Spreading of soil & surficial materials				
a. oolitic area	no	bond		
C. STABILIZATION				
1. Soil preparation, scarification, fertilization, etc.				
2. Seeding & planting				
3. Construction of terraces, waterbars, etc	none			
D. LABOR				

BOND ESTIMATE, 2002
ROWLEY FACILITY

1. Supervision	60 days	\$386.00	\$23,160.00	
2. Labor exclusive of bulldozer use				
a. refueler/oiler/lube with truck & supplies	60 days	\$800.00	\$48,000.00	
b. transportation of equipment	10 days	\$600.00	\$6,000.00	
c. mobilization			\$5,000.00	
subtotal			\$82,160.00	
E. SAFETY				
1. Erection of fences, portel covering, etc.				
2. removal or neutralization of explosive or hazardous materials				
F. MONITORING				
1. Continous or periodic monitoring, sampling & testing deemed necessary				
G. OTHER				
1. Bond for life of 5 years			\$318,060.00	
2. Contingency @ 10%			\$31,806.00	
TOTAL			\$349,866.00	

[illegible]

Magcorp's Revisions					
			Units	Unit Cost \$/ea	Cost estimate
1	Oolitic Sand Mining		0 Acres	1500	0
2	Main Plant Site		25 Acres	0	0
3	Plant Operations Area		100 Acres	0	0
4	Holding Ponds		14 Acres	2000	28000
5	Borrow Areas		0 Acres	2500	0
6	Canal along West Dike		0 Miles	8448	0
7	West Exterior Dike		0 Miles	4382	0
8	Interior Dikes		39.25 Miles	1000	13400
9	Roads & Foundations		11.3 Acres		45800
10	Pump Stations, Structures, etc.		32 Ea	4697	148700
11	Pipe Line		0 Miles	5280	0
12	Brine Canal		0 Miles	8448	0
13	Other (Supervision, Equipment, fuel, etc)				82160
	Total				318060
	Notes:				
1	Oolitic sand reclamation essentially completed				
2	Should be eliminated by smelting exemption in the regulations				
3	Should be eliminated by smelting exemption in the regulations				
4					
5	Reclamation in old burrow areas is essentially completed.				
	Reclamation boding is no longer the practice with the Div. Of Oil, Gas, and Mining				
6	The work is an unwise choice and can be generally excluded by probable present use.				
7	This dike is the same as the canal in the previous item				
8	Most necessary breaches will occur as the result of the removal of structures				
9	BLM Estimate for re-vegetation of ripped roads is \$15,000/acre; laying sod in Tooele County is 10,900/acre				
10	Units averaged from detailed estimate				
11	Buried - Reclamation is unnecessary				
12	Significant alternate use				
13	Estimate of other costs for reclamation				